



MMS Securing Ocean Energy &
Economic Value for America

Minerals Management Service

www.mms.gov

MMS Ensures a Fair Return on Energy Assets for Americans

Energy resource extraction from Federal onshore and offshore lands is a critically important source not only of the energy itself, but also funds for the nation, individual states, American Indian tribes, and individual Indian lease holders. The Minerals Management Service (MMS) is responsible for collecting and disbursing those funds.

Energy exploration companies that produce energy resources from Federal onshore and offshore areas are required to pay a royalty to MMS for the privilege of working in those areas. A royalty is a percentage of the assessed value on the open market of energy resources that are extracted from Federal lands.

Leases for mineral extraction on Federal onshore lands are managed by the Bureau of Land Management (BLM); MMS manages the leases on the Outer Continental Shelf. MMS collects and disburses the royalties and performs audits or compliance reviews on the individual leases, both onshore and offshore.

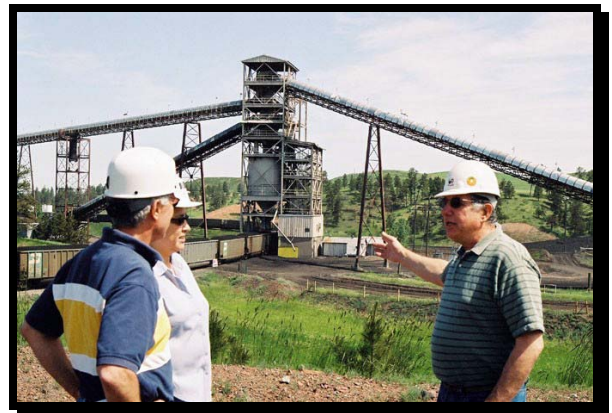
MMS's auditors and accountants make certain the correct amount of royalty revenue is paid by the energy companies to the Federal Government. Royalties amount to billions of dollars annually and are one of the Federal Government's largest sources of non-tax income. MMS processes more than 250,000 transactions each month from more than 26,000 producing Federal and Indian leases.

An average of \$7 billion is collected and disbursed annually. Since it was created in 1982, MMS has collected and disbursed nearly \$164.9 billion in royalties from energy companies. As a result of audits and compliance efforts, an additional \$3 billion has been collected.

A Clean Audit

At MMS, audits are a near-constant activity. As recently as 2005, an independent certified auditing firm audited MMS's accounting activity for the period 2003 - 2004 and found "no material weaknesses and no reportable conditions."

In Fiscal Year 2006, MMS conducted compliance reviews and audits on 72 percent of all royalty payments within 3 years of receipt of payment, the standard timeline used by accounting firms in the United States. The compliance effort focuses first on the largest royalty payments.



Additional Collections are Significant

Since Fiscal Year 1995, MMS has collected several million dollars in additional royalties through audits and compliance reviews. Without the Program's diligence, the money would not have been collected for the taxpayers.

Royalties to Tribes

Since its beginning in 1982, MMS has disbursed approximately \$5.1 billion (through FY 2006) in royalties to 41 Indian Tribes and 30,000 individual American Indians.

Royalties to States

In Fiscal Year 2006, MMS distributed more than \$2.1 billion in royalty revenue to 34 states:

Alabama	\$18,620,175.14
Alaska	\$25,713,481.42
Arizona	\$73,434.85
Arkansas	\$6,825,233.39
California	\$57,523,765.02
Colorado	\$147,194,118.49
Florida	\$143,336.44
Idaho	\$1,256,756.16
Illinois	\$180,912.68
Indiana	\$59.25
Kansas	\$2,457,972.44
Kentucky	\$379,097.05
Louisiana	\$33,242,487.68
Michigan	\$658,765.54
Minnesota	\$15,126.42
Mississippi	\$1,598,916.47
Missouri	\$1,979,893.69
Montana	\$38,236,440.10
Nebraska	\$27,539.36
Nevada	\$8,611,602.24
New Mexico	\$573,425,254.18
North Carolina	\$39.50
North Dakota	\$15,511,698.59
Ohio	\$489,184.98
Oklahoma	\$5,100,262.76
Oregon	\$652,546.75
Pennsylvania	\$92,322.70
South Dakota	\$850,892.44
Texas	\$22,049,461.76
Utah	\$173,074,712.94
Virginia	\$217,103.32
Washington	\$1,081,923.29
West Virginia	\$494,294.56

Wyoming \$1,072,479,293.75

Total FY 2006 **\$2,127,903,232.54**

Since MMS was created in 1982, MMS has disbursed approximately \$165 billion to States, American Indians, the U.S. treasury, and other special purpose accounts. Approximately \$20.4 billion dollars in royalties has gone to States.


Total royalties disbursed annually to States, American Indians, U.S. Treasury, and other special purpose accounts since MMS was created in 1982:

2006.....	\$12.8 billion
2005.....	\$9.9 billion
2004.....	\$8.2 billion
2003.....	\$8.2 billion
2002.....	\$5.4 billion
2001.....	\$9.7 billion
2000.....	\$7.8 billion
1999.....	\$4.3 billion
1998.....	\$5.9 billion
1997.....	\$6.2 billion
1996.....	\$4.9 billion
1995.....	\$3.6 billion
1994.....	\$4.3 billion
1993.....	\$4.07 billion
1992.....	\$3.6 billion
1991.....	\$4.3 billion
1990.....	\$4 billion
1989.....	\$3.9 billion
1988.....	\$4.8 billion
1987.....	\$6.3 billion
1986.....	\$7.7 billion
1985.....	\$6.8 billion
1984.....	\$7.9 billion
1983.....	\$11.5 billion
<u>1982.....</u>	<u>\$7.7 billion</u>

Total **\$164.9 billion**

Since 1982, MMS has delivered the following amounts to the special Federal funds:

U.S. Treasury.....	\$101 billion
Land and Water Conservation	
Fund.....	\$21.6 billion
National Historic Preservation	
Fund.....	\$3.3 billion
Reclamation	
Fund.....	\$13.2 billion



Strategic Petroleum
Reserve.....4.4 billion equivalent value

How Are Royalties Computed?

The computation of royalties is complex, but is essentially based on calculation of the amount of energy resources extracted, times the value of the resource, multiplied by the royalty rate, then subtract deductions such as allowable transportation costs. Simply put: $\text{Volume} \times \text{Value} \times \text{Royalty Rate} - \text{Deductions} = \text{Royalty}$.

The process is very similar to what American citizens use when they compute their annual tax bill due to the IRS, with similar sorts of applicable deductions.

MMS is committed to ensuring that the American public receives a fair return on their energy assets. MMS manages offshore oil and gas exploration as well as renewable and alternative energy sources such as wind, wave, and solar on 1.76 billion acres of the Outer Continental Shelf while protecting the human, marine, and coastal environments. MMS also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, sharing revenues with states, American Indians and individual lease holders, and the U.S. Treasury. The revenues are also contributed to the Land and Water Conservation Fund and other special use funds. In Fiscal Year 2006, disbursements were made of approximately \$12.8 billion, totaling nearly \$164.9 billion since 1982.

For more information on the Minerals Management Service, go to www.mms.gov.

Energy – MMS –Value